



TESTIMONY OF GOVERNOR LINDA LINGLE

before the

SENATE COMMITTEE ON ECONOMIC DEVELOPMENT & TAXATION

Tuesday, January 30, 2007

SB 1365 RELATING TO THE INNOVATION ECONOMY

Chair Fukunaga, Vice Chair Espero, and Members of the Committee.

I am here to offer my support for SB 1365 and urge your Committee to vote its passage.

SB 1365 is part of a package of four bills which together seek to shift Hawaii's economic future to one based on developing the state's human resources and innovation¹ capacity. Companion bills SB 1354 deals with Innovation in Education; SB 1366 deals with Innovation in the Workforce; SB 1366 deals with Hawaii's connections to innovations centers globally; and this bill deals with Innovation in the Economy.

The importance of globalization for the world—and for Hawaii, can not be overemphasized. As a result of modern telecommunications technologies, the world has become a single global market, integrating economic, cultural, political and social systems across national borders. Competing in this global economy presents enormous challenges, primarily the necessity of surmounting unexpected obstacles and overcoming the resistance to change.

Globalization also offers enormous opportunities. In order for Hawai'i to take advantage of the opportunities, we must be able to create wealth through innovation, through fostering new ideas and taking risks. As I noted in my State of the State address, our economy must be fueled by innovation and the new ideas generated by our universities and our highly-trained workforce. SB 1365 represents an important step in that direction by focusing on developing our people and

their capacity to innovate. I firmly believe that innovation, entrepreneurship and risk-taking need to be encouraged, nurtured and rewarded. From the earliest Polynesian voyagers to Hawai'i's many ethnic immigrants, these were our ancestors that settled in the islands, they were risk-takers and innovators.

The measures proposed in SB 1365 will help to build upon our legacy and Hawai'i's future by investing in itself:

- By encouraging through a “soft mandate” the state’s Employee Retirement System (ERS) to invest in Hawai'i's promising emerging companies by establishing the Hawaii Innovation Investment Fund, a professionally managed “fund of funds” and providing clarification on fiduciary liability for investing moderate amounts in Hawai'i venture capital, thereby allowing the retirement system to seek superior investment returns for the pension fund while assisting the growth of Hawai'i's promising technology and creative companies and high growth businesses.
- Through enhancing the ability of the University of Hawai'i's Office of Technology Transfer and Economic Development (OTTED) to increase the number of licensing agreements and commercialization by providing funds for OTTED to enter into a partnership with a qualified and experienced private sector entity.
- By further developing and capitalizing on the state’s investment in a life sciences cluster, we will facilitate the private sector’s investment in and development of a 400,000 sq. ft Class A wet lab and technology incubator in Kaka’ako district. It will serve as a life sciences research center and catalyst facility for commercialization of biotech research.
- By establishing a Digital Media Center and incubator facility we will be providing needed infrastructure to encourage and support the growth of our film industry and digital media sectors. This will give another key reason for productions and projects to come to Hawai'i as well as encourage the entrepreneurial development of new ventures.
- By establishing the MELE (Music Enterprise Learning Experience) as a program proposed by the Honolulu Community College (HCC), in partnership with Belmont University of Nashville. Music is one of Hawai'i's treasures and culturally and economically important to Hawai'i's future. It will establish the needed infrastructure and learning facility and create an education program to train our current and future artists with needed

business and technology skills required to accelerate the growth of Hawai`i's music industry.

- Creating infrastructure and programs are important, but equally important is our ability to measure our progress. We must take steps to improve our ability to measure Hawai`i's productivity as well as to measure, assess and report on the effectiveness of programs enacted by the legislature to promote and facilitate innovation. It will be our gauge to determine whether we are on the right track.

In summary, these measures are crucial to motivate and encourage innovation which will invigorate our economy. Hawai`i is an island state, but not in the global world. Building the state's human capital and innovation capacity will involve many challenges and a multi-year commitment, but the rewards will be immense. This year's four bills of Innovation Initiative is a statement of my commitment to work with you all to develop a comprehensive and coordinated approach to building a foundation for Hawai`i and its people.

I thank you for this opportunity to address this committee and encourage the passage of this bill.